

DOES RELIGIOSITY INFLUENCE ETHICAL SENSITIVITY? AN INVESTIGATION ON MALAYSIAN FUTURE ACCOUNTANTS

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Abstract

This study examines factors influencing religiosity and investigates its effect on the ethical sensitivity of a sample of 378 Malaysian accounting students from five universities. Religiosity is represented by the twelve faith maturity items developed by Benson, Donahue and Erickson (1993). Sixteen ethical scenarios of various business issues devised by Longenecker, McKinney and Moore (1989) are used to assess ethical sensitivity. The findings of this study show that religious affiliation, religious education background and type of institution influence the types of religiosity, namely Vertical, Horizontal, Integrated faith and Undeveloped faith. Students affiliated with Islam and Hinduism are inclined to possess Vertical and Integrated faith religiosity. Students attending Islamic religious secondary school and a related Islamic university possess strong religious views and are inclined to have a close relationship with God (Vertical religiosity) or commit to both spiritual and societal relationships (Integrated faith). This study also found that religious affiliation, religious education background, type of institution and religiosity (faith maturity) affect students' ethical sensitivity, but the impact is situational. Based on the results it is recommended that the Malaysian education process needs to emphasise not only intellectual ethical perspectives for students but also religious positions.

Introduction

Ethics is a global business issue, and particularly so in a developing nation like Malaysia. The Malaysian Government and business continue to struggle with

issues of transparency, bribery and integrity. Despite efforts to improve integrity issues, the Corruption Perception Index (CPI) ranked Malaysia 47 out of 180 countries in year 2008 (Transparency International 2008) demonstrating little improvement from the previous year (ranked 43 from 179 countries) (Transparency International 2007). The Malaysian Auditor General recently highlighted the outcomes of its 2006 investigation on activities by government agencies and reported transgressions and irregularities involving corruption, over-spending, poor management of funds, incomplete and outdated data and lack of enforcement and power (Kaur, Ng and Ishak, 2007). These findings are a repeat of previous years even though the departments are under close scrutiny by accountants and financial officers. In addition, at the height of the Enron debacle, the President of the Malaysian Institute of Accountants referred to a statement by a previous President that “there are Malaysian Enrons” (Zaimee, 2007). This highlights that the accounting profession needs to regain the public’s trust. Members of the profession are expected to have high moral values and integrity, and it is important that accountants develop the ability to sensitize ethical issues (Welton, Lagrone and Davis, 1994).

As most accounting students will be the next generation of accountants or involved in the accounting environment in some way (in education, administration or business), a number of studies have used accounting students as surrogates for accountants (for example; Ameen, Guffey and McMillan, 1996; Keller, Smith and Smith, 2006). The accounting profession is concerned with the ethical position of accounting students as future accountants (McNair and Milam, 1993) and many studies have been conducted to identify the ethical attitudes of accounting students on ethical issues (Ahadiat and Mackie, 1993; Ameen et al., 1996; Geiger and O’Connell, 1998; Coate and Frey, 2000; Armstrong, Ketz and Owsen, 2003; Manktzke, Carnes and Tolhurst, 2005; Chan and Leung, 2006; Malone, 2006). These studies have also investigated the factors that influence students’ ethical development. Among factors that are under researched is the influence of religion on ethical development (Rest, Narvaez, Bebeau and Thoma, 1999; Conroy and Emerson, 2004; Graafland, Kaptein and Schouten, 2006; Lam, Shi and Shi, 2008). Studies that have examined the relationship between moral development and religiosity¹ have produced positive results (Clark and Dawson, 1996; Wimalasiri, Pavri and Jalil, 1996; Scheepers, Grotenhuis and Slik, 2002; Weaver and Agle, 2002; Conroy and Emerson, 2004; Woodbine and Yuningsih, 2004; Keller et al., 2006; Rashid and Ibrahim, 2008). However, these studies have not attempted to determine what drives a person to possess a certain degree of religiosity, is it the emphasis of religious teaching, the education background that may influence religious values or the environment of the education institution attended? Thus, the specific purpose of this study is to examine the factors influencing religiosity and investigate the effect religiosity has on the ethical sensitivity of Malaysian future accountants. This group is important as its members will be in middle and top management by 2020 and will be in a position to influence the direction and stability of the economy.

The paper is organised in the following manner. Section 2 describes the significance of this study followed by the literature review in Section 3. The methodology is explained in Section 4 and the results are reported in Section 5. The conclusion and limitation are discussed in Section 6.

Significance of Study

This study is significant for three reasons. Firstly, although studies in ethical development among accounting students are voluminous (LaGrone, Welton and Davis, 1996; Sweeney and Roberts, 1997; Abdolmohammadi and Reeves, 2000; Weber and Glyptis, 2000; Bonawitz, 2002; Kelly, 2004; Dellaportas, 2006; Dellaportas, Cooper and Leung, 2006), there is little written about the ethicality of future accountants in the Malaysian setting, particularly relating to religiosity. Therefore, an empirical study on the ethical sensitivity of Malaysian university accounting students would assist in demonstrating the ethical standing of future accountants and auditors. An understanding of factors that influence ethicality may assist in the future recruitment and training of accountants. Importantly, a study of the ethical perspectives of future accountants may alert academics to the strengths and weaknesses of the education system. This in turn will lead to improvements in ethics education in institutions of higher learning and in schools consistent with the Malaysian government's 2020 vision.

Literature Review

Rest's Theory of Moral Behaviour

The focus of this study is on ethical sensitivity, an important process in understanding the ethicality of Malaysian future accountants. Ethical sensitivity, according to Rest (1986), is an awareness of how actions affect others and thus influence how situations are interpreted. It is an immediate response to the situation being faced, which can involve researchers constructing different scenarios for a situation and testing how associated actions might impact the participants confronted by the situation. As Rest (1986) established, sensitivity is but one of the components associated with moral behaviour², although its inclusion is essential in the formulation of a good moral choice. According to Rest, a model for moral behaviour consists of the following four processes;

1. **Moral sensitivity:** In this process, individuals have the ability to recognize that there is a moral issue in a given situation. Individuals are able to interpret the situation, adapt role taking or role playing; are aware of how various actions would affect the parties concerned; and can imagine the cause-effect chains of events.
2. **Moral judgement:** During this process, individuals are able to reason out why a particular action is taken.
3. **Moral intention:** This process is when individuals have a degree of commitment in taking the moral course of action, valuing moral values over other values, and taking personal responsibility for moral outcomes over what one intends to do.
4. **Moral character:** In this process, individuals are persistent in a moral task evidenced by having courage, overcoming fatigue and temptations, and implementing sub-routines that serve a moral goal.

Identifying students' level of ethical sensitivity is important as this process involves an ability to recognize the ethical content of a situation, which then serves as a triggering

mechanism that connects with other components of the ethical decision making process (Sparks and Merenski, 2000). Rest (1986) posits that age is positively correlated with moral development as “...*nothing is more crucial to a cognitive developmental explanation of moral development than evidence of change over time from less advanced modes of thinking to more advanced forms.*” (Rest, 1986: 106). There appears to be little or no research on whether ethical accounting students go on to become ethical accountants. However, Rest’s theory that age is a crucial factor in moral development is an indication that as students mature, they will continue to develop their morality and take this into their accounting profession.

Rest (1986) also emphasized that moral sensitivity can be situational, where a person highly sensitive in one situation might be relatively insensitive in another. Thus, the model is situation-specific in a way that different situations promote various interpretations and moral judgements, heighten the importance of some values compared to others, and encourage an individual to implement a moral act or discourage her or him from doing so. Having become appropriately sensitized, a subject is said to have an ability to distinguish right from wrong. This ability may also be affected by one’s own personal values, past experience and observations, formal and informal education, culture, upbringing and degree of socialization. Rest, Narvaez, Bebeau and Thoma (1999) highlighted that religion can be an important factor influencing ones’ sensitivity, judgement, intention and behaviour and thus will be discussed in the later sections.

Ethical Sensitivity Among Students

A great deal of research has been conducted on the ethical development of students. However, limited findings can be found regarding the ethicality and the factors affecting the level of ethical sensitivity among Malaysian accounting students. A source of reference on the ethicality of Malaysian business majors is a comparative study on the ethical perceptions of future managers between Malay Malaysian and American students (Burns and Brady, 1996). Students rated 39 retail sales situation items and practices on a seven-point scale as to whether ethical issues exist in the situation. The results reveal that there are differences in the Malaysian students’ perceptions of different types of potentially ethically troublesome retail sales situations and practices compared to their American counterparts. The Malaysian group was found to be less sensitive than the American group (Burns and Brady, 1996). Although their study gives some idea about how Malaysian students perceive ethical situations, it would have been useful to know the effect of such factors as gender, year of study, age, and type of business major of these potential future managers.

A decade later, O’Leary and Mohamad (2006) conducted a comparative survey on the ethical attitudes of Malaysian, Australian and Republic of Ireland accounting students in regards to gender, ethical attitudes affected by the risk of getting caught and attitudes towards whistle-blowing. This is another paper that provides evidence about the ethicality of Malaysian students specifically involving accounting students. Respondents were final year accounting students; a total of 97 Malaysians from UiTM (Malay based

university), 103 Australians and 139 Irish. A questionnaire of ethical scenarios on bribery, defrauding shareholders and obtaining exam papers before the exam was administered. The three scenarios are given in a non-risk and one over ten risk of getting caught. Respondents were given three alternatives; to perform the action, to reject and do nothing about it, or to reject and report to the authority. The study found in general, Malaysian students appeared less likely to accept bribes as compared to their Australian and Irish counterparts; but that male students in all three regions are less ethical than their female counterparts. Irish students tend to cheat more compared to Malaysian students and Australians while Australians are more likely to whistle-blow than the other two counterparts who mostly chose to do nothing or walk away. Finally, the study concluded that ethical attitudes among these students are affected by the risk of getting caught.

In addition to the scarcity of evidence on the ethical sensitivity involving Malaysian students, the results from the two studies are contradictory. The ethical sensitivity of Malaysian students is also inconclusive due to the different methodology used and number of respondents which narrowly represent Malaysian students (the numbers were too small and the composition does not reflect the multi-religion and multi-cultural society). This clearly suggests the need for further investigation.

Religious Affiliation and Religiosity

Although seen as a Muslim country, Malaysia is a multi-religious nation with Islam being the dominant and official religion. Most religions and belief systems include a requirement that members behave ethically in all areas of life including business. Basic principles of ethical values offered by various religions are universalistic rules (Ruhe and Lee, 2008) and many religions share common values, emphasizing doing good to others. Thus, in explaining and understanding religions in this world, Ruhe and Lee (2008) have summarized the values in each religion as illustrated in Table I. Additional research by the authors of this paper based on Quranic verses³ from the website of JAKIM⁴ has resulted in an

Table I: Values in Selected Religions in Malaysia

Value	Islam	Christianity	Hinduism	Buddhism	Confucianism
Charity	√	√	√	√	√
Courtesy	√	√	√	√	√
Respect	√				
Fairness	√	√	√	√	√
Justice	√				
Forgiveness	√	√		√	
Generosity	√	√	√		√
Honesty	√	√	√	√	√
Truth	√				
Loyalty	√				
Trust	√	√			

Source: Adapted and modified from Ruhe and Lee (2008)

additional six values⁵ to Islam. Although there are some differences, the emphasis across all religions highlights the importance of fairness and honesty which are fundamental values in accounting and business.

A study by Al-Ansari (2002) has contributed tremendously to the scarce literature of moral attitudes in the Muslim region. Her study of ethical reasoning abilities of Muslim college students from Kuwait indicated students' moral reasoning abilities were clearly influenced by their religion. The author noted that respondents rely more on Islamic dictates in moral decision-making. This is consistent with the findings of Woodbine and Chou (2003) which highlights that Muslim business students in the Asian region apply conformist behaviour when faced with ethical situations. In their study that includes Malaysian students, the authors conclude that religious affiliation including Islam, Christianity and Eastern religion (i.e. Buddhism, Taoism) does have some bearing on students' ethical ideology. In another study on ethics between Christianity and Chinese religion, Christianity was found to be most favourable to higher ethical standards, but people of traditional Chinese religion had a higher acceptability of unethical behaviors involving social concerns compared to people with no religion (Lam and Shi, 2008).

While religious affiliation may be an attribute when individuals make ethical interpretations, religiosity is viewed as a better measurement to determine ones' ethicality (Benson et al., 1993; Woodbine and Chou, 2003). In the context of this study, religiosity is represented by faith maturity which signifies the degree of priorities, commitments and perspectives on certain religious traits or events one places (Benson et al., 1993). One's faith maturity will be identified based on their extent of commitment to God and concern for society, measured by twelve statements which require respondents' degree of agreement. A person can be highly religious and totally devoted to his God(s) with low obligation to the society, or may be less devoting to the divine but more responsible to the people around him. One is said to reach the most from his faith when he devotes himself to God(s) and at the same time concerns for his society. In other words, this study not only examines the effect of religion on one's ethical sensitivity but how religiosity (or faith maturity) can play the role. However, results are inconsistent with some studies finding that different religiosity have no impact on the cognitive moral development of accounting or other business students (Kennedy and Lawton, 1996), others show that religiosity has a negative relationship to development (Burks, 2006) through to mixed results (Smith and Oakley, 1997; Albaum and Peterson, 2006).

Conroy and Emerson (2004) used church attendance rates to represent religiosity to determine its impact on students' ethical attitudes. Using vignettes devised by Longenecker et al. (1989) on various questionable issues with a seven point scale response (1 = Never acceptable to 7 = Always acceptable), they found that those with higher religiosity have lower acceptability to unethical situations (in 8 of 25), thus concluding that religiosity in this context affects ethical attitudes. It could be argued that church attendance is not necessarily a good proxy for religiosity as there may not always be a strong link between attendance and spiritual commitment per say.

However, there is some evidence that the greater reliance a person places on spiritual references and observances, the higher their ethical reasoning ability and that one's spiritual commitment somehow affects ethical decision-making (Clark and Dawson, 1996; Wimalasiri et al., 1996; Scheepers et al., 2002; Woodbine and Yuningsih, 2004; Cornwell, Cui, Mitchell, Schlegelmilch, Dzulkiilee, and Chan, 2005; Keller et al., 2006). In a large scale research involving 15 countries by Scheepers et al. (2002) it was found that individual religiosity had stronger effects on ethical attitudes in countries which were more religious and weaker effects in more secularized countries. Similar results were found in a study on the ethical judgement of Malay and American adolescents by Jaafar, Kolodinsky, McCarthy, and Schroder (2004). Using Kohlberg's Moral Judgement Interview (MJI), Malay adolescents (Muslims) reflected more religious principles and Malay cultural values in their moral judgements when compared to an American group. Religious teachings were more frequently cited by Malay adolescents while American adolescents were more concerned with personal consequences of actions, equitable exchange, fairness and self-interest. The authors added that the Malays' behaviour is also governed by the concept of *dosa* (sin) and *pahala* (reward, merits in the hereafter). That is, Muslims obey God's laws and behave morally in order to obtain heavenly rewards. In summary, religiosity represents a close spiritual connection or commitment to one's religious beliefs, which goes beyond nominal religious affiliation.

Religious Education Background

Shah (2004) studied the influence of Malaysian adolescents' self-religiosity on moral behaviour. His findings indicate that students in religious schools possess higher religiosity and are more morally oriented than those from non-religious schools, implying that religiosity positively affects the moral behaviour of an individual. Studies also show that students from religious universities display higher ethical sensitivity than other types of university (Kennedy and Lawton, 1998; Woodbine and Chou, 2003; Burks, 2006). Burks (2006) found that students from a religious university reported significantly higher moral scores. In their study, in determining the effect of religious affiliation on consumer ethics, Woodbine and Chou (2003) commented that strong conservative views emanated from Muslim students enrolled in an Islamic university. The authors assert that this was probably due to the pedagogy and content of the curricula which exposed students to Islamic ways of life and emphasizing *Qur'anic* principles.

Methodology and Research Objectives

This study aims to firstly determine the factors that affect religiosity and whether these factors affect ethical sensitivity. The study also examines whether religiosity influences ethical sensitivity. Based on convenience sampling, a total of 378 accounting students enrolled in five Malaysian universities participated in the study in 2007. The principal author made contact with lecturers from the universities and permission was given to administer the questionnaires to the students. In assessing ethical sensitivity, a table of sixteen ethical scenarios (see Table I) devised by Longenecker et al. (1989) was applied. The scenarios involve various business issues; from employee embezzlement

to fraud in production, marketing, accounting and management (Albrecht, Ned and Conan, 2006). Some scenarios are ethically ambiguous while others are clearly questionable ethical situations. Students were required to rate their acceptance of each scenario using a 7-point Likert scale (1 = Not acceptable to 7 = Always acceptable). Several studies have adopted similar ethical scenarios on business professionals (Weeks, Moore, McKinney and Longenecker, 1999; Longenecker, McKinney and Moore, 2004; Vynoslavska, McKinney, Moore and Longenecker, 2005; Longenecker, Moore, Petty, Palich and McKinney, 2006) and students (Wu 2003; Conroy and Emerson, 2004).

It has been suggested that religious people may be inclined to view unethical situations more negatively than less religious people (Singhapakdi, Marta, Rallapalli and Rao 2000; Woodbine and Yuningsih 2004; Albaum and Peterson, 2006). While many studies have used one-dimensional criteria to represent religiosity (for example, church attendance), this paper uses faith maturity as the measurement. Faith maturity refers to the degree to which a person adheres to the spiritual and social commands associated with their group (Benson et al., 1993). The relationship between faith maturity (representing religiosity) and ethical sensitivity has not been well researched. Most studies apply religious affiliation or some limited equivalent in this process of measuring ethical attitudes and predispositions. Therefore, based on the respondents' diverse religious backgrounds, this paper proposes the following hypotheses:

- H₁: Students' religiosity is affected by religious affiliation, religious education background and the type of higher learning institution they attend.
- H₂: There is a difference in the level of ethical sensitivity among students from various religious affiliations.

In general, Malaysian accounting students do not undertake any ethics course during the first three years of the four-year accounting programme. The profile of the research respondents is illustrated in Table II in the appendix. Two-thirds of the respondents are Muslims, similar to the national figure, followed by Buddhists, Christians and Hindus. Although Muslim students dominate the sample of this study, the ratio of students attending religious schools is lopsided as Malaysians seem to prefer sending their children to national schools. There is also an unequal number of respondents in the Islamic and non-Islamic institutions as only one university represents an Islamic institution. It is important to highlight that all respondents within the Islamic institution are Muslims. In order to determine whether these factors affect ethical sensitivity among the students, we also propose the following exploratory tests (see Figure 1 below illustrating the framework):

- H₃: There is a difference in the levels of ethical sensitivity between students who have a religious education background as compared to secular education.
- H₄: There is a difference in the levels of ethical sensitivity between students in Islamic university and students in non-Islamic university.
- H₅: There is a correlation between religiosity and students' ethical sensitivity.
- H_{5.1}: There is a correlation between Vertical religiosity and students' ethical sensitivity.
- H_{5.2}: There is a correlation between Horizontal religiosity and students' ethical sensitivity.

Table II: Respondents' Profile

	Percentage
Religious affiliation	
Islam	65.6
Buddhism	22.0
Christianity	5.1
Hinduism	4.3
No religion	1.3
Others	1.8
Religious education background	
Islamic secondary school	16.7
Non-Islamic secondary school	83.3
Types of institutions	
Islamic university	15.7
Non-Islamic university	84.3

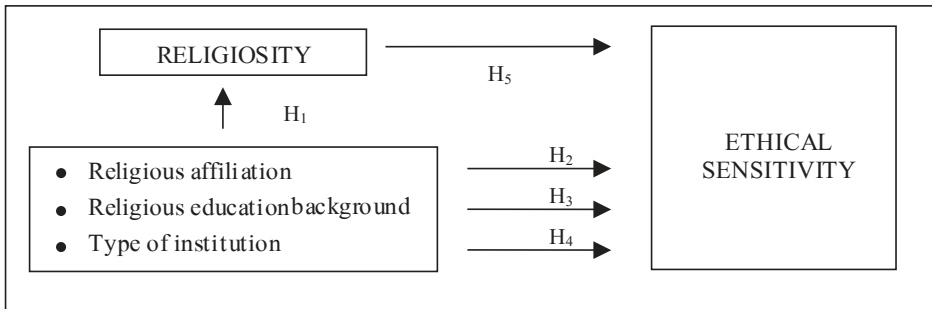


Figure 1: Research Framework

Results

Sensitivity Issues

In general, the ethical sensitivity of students is positively skewed as almost all means are below the average score of 4 except for scenario I (see Table III). Students have low sensitivity on the issue of insider trading, being the highest mean score (4.07) among the items. This is also a scenario that 31 students rated as 'Always acceptable'. It is probably due to the nature of the situation where it involves self-interest, an opportunity-rich situation, does not result in overt financial harm to others and has a low risk of getting caught. The next highest score is scenario G where students are inclined to accept situations involving an unfavourable competitive condition leading to mutual agreement in gaining benefits. Scenario H is next, where distributing gifts during the festive season is perceived somewhat acceptable probably because students see it as a common local practice although it affects independence. In contrast, students' demonstrate a high sensitivity on the issue of pollution as the mean score is the lowest (1.91).

Table III: Comparative Analysis of Sensitivity Data

Ethical scenarios (Refer Table 1)	Frequency of '7' (Always acceptable) response	Mean response of current study	Mean response of Conroy and Emerson (2004)
A	18 (4.6%)	3.35	2.51
B	8 (2%)	1.91	1.65
C	5 (1.3%)	2.35	2.02
D	8 (2%)	2.66	1.98
E	30 (7.7%)	3.76	3.68
F	25 (6.4%)	3.63	3.64
G	25 (6.4%)	3.93	3.83
H	19 (4.9%)	3.83	4.06
I	31 (7.8%)	4.07	3.43
J	27 (6.9%)	3.59	2.89
K	4 (1%)	2.35	1.72
L	21 (5.4%)	3.33	3.83
M	15 (3.8%)	2.93	2.36
N	28 (7.2%)	3.60	3.34
O	35 (9%)	3.28	2.28
P	24 (6.2%)	3.63	3.77

Table III also reveals that there are students (from 2% to 9%) who rated 7 (always acceptable) indicating that they are not sensitive to those transgressions. The results are compared to a study conducted by Conroy and Emerson (2004) who adopted similar scenarios⁶. The comparison reveals that Malaysian students perceive fourteen out of sixteen ethical scenarios to be more acceptable than their American counterparts. In other words, Malaysian students appear less ethically sensitive as compared to the American students. The largest difference between the two groups is scenario A. On the other hand, the American students perceive the use of legal accounting methods to conceal a company's financial embarrassment to avoid transparency as more acceptable than its Malaysian counterparts but the differences are not large.

A factor analysis of the sixteen sensitivity scenarios produced some interesting results. The analysis produced five factors for fourteen scenarios with Eigen values over 1 (scenarios A and P were excluded by the analysis). This study labels the factors according to the nature of the scenarios and the loading (over 0.45 as significant loading as shown in Table IV). The *Cronbach's alpha* results at 0.747 indicating that the level of internal consistency is satisfactory.

The first factor consists of four scenarios (B, C, D and K) that involve serious legal issues and reportable business-related offences in the minds of participants. It also includes sensitivity issues with the lowest means indicating high levels of ethical sensitivity (see Table III). In addition, the scenarios are clearly questionable situations and students appear aware of the moral content. The second factor comprises a set of four scenarios (E, F, G, I) that involve profit motives and with a high degree of acceptability. These scenarios are somewhat ambiguous and students may see them as less serious

Table IV: Factor Analysis of Ethical Sensitivity

Scenario	Factor construct				
	Serious legal and reportable issues	Profit motives scenarios	Marketing and promotion strategies	Denial of stakeholders' rights	Commonly exercised situation
B	.657				
C	.726				
D	.739				
K	.518				
E		.607			
F		.546			
G		.695			
I		.594			
J			.775		
N			.566		
O			.493		
L				.451	
M				.748	
H					.725

Principal Component Analysis is used to construct factors. Varimax with Kaiser Normalization is used to rotate the 29 iterations convergence. The value of KMO (0.806) and the χ^2 value of Barlett's test ($p = 0.000$).

resulting in the highest five mean scores. Wu (2003) completed a factor analysis of the 16 scenarios and labelled a similar set of variables as 'profit orientation'. The third factor consists of three scenarios (J, N, O) where all three involve marketing and promoting strategies involving either a colleague or product. The fourth factor comprises two scenarios (L, M) involving the denial of the stakeholder rights to relevant information. The final fifth factor includes scenario H (Hari Raya gifts), which respondents agree to be a separate and commonplace practice in Malaysia.

Faith Maturity as a Measurement of Religiosity

While Conroy and Emerson (2004) used church attendance as a measure of religiosity, this study has employed a more reliable scale developed by Benson et al. (1993). The short version of their faith maturity scale consisting of 12 items was selected to reflect a person's commitment to his or her religion (Table V). Students rate the items using a seven point response scale from 'Never true' to 'Always true'.

Factor analysis was used to reduce the 12 items down to the two identifiable constructs of religiosity, namely Horizontal and Vertical components (see Table VI). Six items (item 1, 2, 3, 4, 7, 8) represent Horizontal religiosity indicating an emphasis on serving humanity/society and acts of mercy and justice. A further six items (5, 6, 9, 10, 11, 12) represent Vertical religiosity which emphasises maintaining and honouring a relationship with God. This is consistent with the categorization made by Benson et al. (1993) except for item 2 which Benson et al. (1993) labelled as a Vertical component.

Based on the two factors, Benson et al. (1993) extended the classification into four categories; Integrated faith (positive Vertical and positive Horizontal), Undeveloped faith (negative Horizontal and negative Vertical), Horizontal and Vertical (see Figure II). The results of this study reveal that one-third of Malaysian students are in the Integrated faith group indicating that they are mature with respect to both their spiritual relationship with God and their interest in the needs of others (social concerns).

Table V: Measurement of Faith Maturity

Statement

1. I help others with their religious questions and concerns.
2. I seek out opportunities to help me grow spiritually.
3. I feel a deep sense of responsibility for reducing pain and suffering in the world.
4. I give significant portions of time and money to help other people.
5. I feel God(s)/Karma’s presence in my relationship with other people.
6. My life is filled with meaning and purpose.
7. I care a great deal about economic and social inequalities and injustice in Malaysia and throughout the world.
8. I try to see political and social issues in the perspective of my faith/religion.
9. My life is committed to the God (or gods) I serve or have faith/belief in.
10. I talk with other people about my faith/belief.
11. I have a real sense that God(s)/Kharma’s (or other referent point) is guiding me.
12. I am spiritually moved by the beauty of the God(s)/Kharma’s (or other referent point) I serve or have faith/belief in.

Table VI: Factor Analysis Rotated Component Matrix

Faith maturity item	Component	
	Vertical	Horizontal
5	.791	
6	.484	
9	.815	
10	.546	
11	.906	
12	.902	
1		.612
2		.734
3		.763
4		.585
7		.550
8		.580

Principal Component Analysis is used to construct components Varimax with Kaiser Normalization is used to rotate resulting in 3 iterations of rotation convergence. The value of KMO (0.885) and the χ^2 value of Barlette’s test ($p < 0.000$) signify that the twelve items are available for factor analysis. The analysis produced two factors with Eigen value over 1 (see Table VI). This study labels the factors according to the type of religiosity and the loading (over 0.45 as significant loading). The Cronbach’s alpha results at 0.881 indicating that the level of internal consistency is satisfactory.

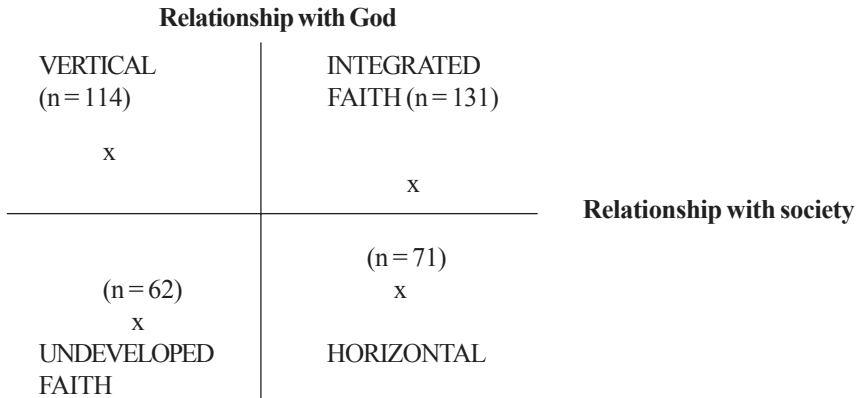


Figure II: Types of Religiosity

Table VII: Cross-tabulation of Religious Affiliation and Type of Religiosity

Religiosity	Islam	Hinduism	No religion	Buddhism	Christianity	Others	Total
Undeveloped faith	7.3%	23.5%	80.0%	35.7%	30.0%	.0%	16.4%
Integrated faith	41.7%	52.9%	.0%	16.7%	15.0%	42.9%	34.7%
Vertical	39.2%	17.7%	.0%	8.3%	30.0%	28.7%	30.2%
Horizontal	11.8%	5.9%	20.0%	39.3%	25.0%	28.6%	18.8%

% within religion

Table VIII: Cross-tabulation of Religious Education Background, Type of Institution and Type of Religiosity

Religiosity	Religious education background			Type of institution		
	Religious Islamic School	Non-Religious School	Total	Islamic University	Other than Islamic	Total
Undeveloped faith	3.2%	19.0%	16.4%	.0%	19.5%	16.4%
Integrated faith	52.4%	31.1%	34.7%	58.3%	30.2%	34.7%
Vertical	39.7%	28.3%	30.2%	33.3%	29.6%	30.2%
Horizontal	4.8%	21.6%	18.8%	8.3%	20.8%	18.8%

Factors Affecting Religiosity

Cross-tabulation (Table VII) shows that more Muslim and Hindu students fall into the Integrated faith (IF) and Vertical religiosity groups compared to other groups. In contrast, the majority of Buddhist students are either in the Undeveloped faith (UF) or Horizontal type of religiosity. These arrangements appear consistent with the nature of the respective beliefs that emphasize the worship of God(s) (Islam and Hinduism) and the attainment of happiness by helping others (e.g. Buddhism). Table VIII illustrates students attending

Islamic religious schools prior to entering university are mostly in the IF and Vertical type of faith maturity. This indicates that students who have strong religious views are either inclined to have a close relationship with God (or their point of reference) or commit to both spiritual and societal relationships.

The cross-tabulation shown in Table VIII displays that more than half of the Islamic university group is identified as the IF category. Another one-third identifies with the Vertical type of religiosity while none are in the UF group. This suggests that those students enrolled in Islamic universities have strong religious views compared to their counterparts in other universities. The study also found that 34 out of 62 (more than half) accounting students enrolled in the Islamic university were previously educated in religious schools. This strengthens the findings that previous religious educational background has some bearing on a person's religiosity. Hence, from the tabulations, it appears that religious affiliation, religious school and the type of higher learning institutions students attend influence their religiosity.

Religious Affiliation and Ethical Sensitivity

In regard to ethical sensitivity, Muslim and Hindu students have low ethical sensitivity on the issues of insider trading and pollution. Buddhists are inclined to accept the scenario involving stealing of information for profit while the Christians have a low sensitivity towards bidding scams. Table IX also shows that there are significant differences among the religious groups in the scenario involving stealing of information, insider trading and gender discrimination. In summary, the results show that the differences between religious affiliations are situational.

Table IX: Mean Table of Religious Affiliation and Ethical Sensitivity

Ethical scenarios	Islam	Buddhism	Hinduism	Christianity	No religion	Other religion	Sig. level
A	3.37	3.35	3.35	2.80	4.20	3.71	.582
B	1.97	1.98	1.24	1.65	1.60	1.43	.333
C	2.43	2.22	1.94	2.50	1.60	2.29	.477
D	2.67	2.71	2.41	2.90	1.80	2.43	.746
E	3.91	3.50	3.47	3.35	3.20	3.71	.314
F	3.48	4.20	2.94	3.90	3.40	3.00	.011*
G	4.02	3.66	3.82	4.15	3.80	3.57	.576
H	3.94	3.70	3.65	3.65	3.20	3.00	.400
I	4.23	3.84	4.35	3.20	2.80	3.71	.013*
J	3.50	3.87	3.53	3.50	4.20	3.43	.629
K	2.25	2.64	2.88	2.40	1.80	1.57	.105
L	3.35	3.41	3.35	3.20	2.60	2.43	.708
M	3.16	2.55	2.29	2.60	2.20	1.86	.008*
N	3.70	3.40	4.06	3.25	3.00	2.71	.311
O	3.15	3.69	2.47	3.95	4.00	2.57	.058
P	3.54	3.97	3.47	3.85	3.80	2.71	.309
Overall mean	3.29	3.29	3.08	3.18	2.95	2.76	

Religious Education Background and Ethical Sensitivity

In order to see whether religious education background has some bearing on ethical sensitivity, the means comparing students with different educational backgrounds are shown in Table X. The overall results show that there are differences in the level of ethical sensitivity between students who attended religious schools and those who did not. The means reveal that having a religious background does not identify with high levels of ethical sensitivity. This is reflected in the findings where students who attended a religious school score low means in only eight out of sixteen scenarios. Students who attended non-religious schools score lower in the other eight scenarios with significant differences in scenarios I, K and M. However, students with religious education background seem to have higher ethical sensitivity in scenarios relating to serious legal and reportable issues (B, C, D and K). Similar to religious affiliation, differences between religious education backgrounds with regards to ethical sensitivity appears to be situational.

Table X: Mean Table of Religious Education Background, Type of Institution and Ethical Sensitivity

Ethical scenarios	Religious education background			Type of institution		
	Religious Islamic School	Non-Religious School	Sig. level	Islamic Uni.	Other than Islamic Uni.	Sig. level
A	3.53	3.32	0.359	3.25	3.37	0.619
B	1.67	1.96	0.145	1.31	2.02	0.001*
C	2.18	2.38	0.288	1.72	2.47	0.000*
D	2.32	2.73	0.054	2.05	2.77	0.001*
E	3.56	3.80	0.310	3.70	3.77	0.792
F	3.30	3.69	0.104	3.30	3.69	0.112
G	4.21	3.87	0.131	4.44	3.84	0.009*
H	3.92	3.82	0.608	4.15	3.78	0.089
I	4.50	3.98	0.016*	4.52	3.98	0.015*
J	3.86	3.54	0.176	4.67	3.39	0.000*
K	2.02	2.42	0.044*	1.85	2.44	0.004*
L	3.52	3.29	0.358	3.28	3.34	0.800
M	3.32	2.85	0.045*	2.75	2.96	0.403
N	3.88	3.54	0.176	3.87	3.55	0.206
O	2.47	3.44	0.000*	2.92	3.35	0.135
P	3.58	3.65	0.781	3.50	3.66	0.526
Overall mean	3.27	3.24		3.20	3.27	

Type of Institution and Ethical Sensitivity

When the group of students from Islamic and non-Islamic universities are compared in their responses to the ethical scenarios, it is found that students from the former score lower than the latter group in eleven out of sixteen scenarios. This indicates students from the Islamic university on average display higher ethical sensitivity towards moral

issues. However, Islamic university students score higher means (having less ethical sensitivity) in the five scenarios; G, H, I, J and N; three of those, G, I and J vary significantly between the two groups (see Table X). This also shows that while Islamic university students display higher ethical sensitivity that their counterparts, it is situational.

Does Religiosity Influence Ethical Sensitivity?

To determine whether there are relationships between religiosity and the five components of ethical sensitivity, correlation results (see Table XI) show that there is a negative relationship between Vertical religiosity with ‘serious legal and reportable issues’ component. This indicates that more religious students have a higher level of ethical sensitivity on those issues. However, Vertical religiosity has positive relationships with three components; ‘profit motives scenarios’, ‘denial of stakeholders’ rights’ and ‘commonly exercised situation’. On the other hand, Horizontal religiosity has a positive relationship with ‘marketing and promotion strategies’ component indicating students who are more concerned with the society are inclined to accept such situations.

Table XI: Correlations between Religiosity and Factors in Ethical Sensitivity

		Serious legal and reportable issues	Profit motives scenarios	Marketing and promotion strategies	Denial of stakeholders’ rights	Commonly exercise situation	Vertical	Horizontal
Serious legal and reportable issues	Pearson Sig. (2-tailed)	1						
Profit motives scenarios	Pearson Sig. (2-tailed)	.000	1					
Marketing and promotion strategies	Pearson Sig. (2-tailed)	.000	.000	1				
Denial of stakeholders’ rights	Pearson Sig. (2-tailed)	.000	.000	.000	1			
Commonly exercise situation	Pearson Sig. (2-tailed)	.000	.000	.000	.000	1		
Vertical	Pearson Sig. (2-tailed)	-.206(**)	.123(*)	-.053	.180(**)	.164(**)	1	
Horizontal	Pearson Sig. (2-tailed)	-.050	.082	.149(**)	.050	.024	.000	1

Correlation is significant at the ** 0.01 level and at *0.005 (2-tailed).

Conclusion and Limitations

In much of the existing research involving situational factors and ethical sensitivity, findings have shown mixed results. In general, it is concluded that the ethical sensitivity of Malaysian accounting students is on average similar to students in other countries. This is because there are extreme answers (Always acceptable) in all scenarios indicating that students do not regard the situation as ethically questionable. Based on a comparison with Conroy and Emerson (2004), the findings of this study show that Malaysian students are less ethically sensitive to most situations.

However, we also conclude that the ethical sensitivity of these students is situational. Firstly, the most highly accepted situation (therefore, less ethically sensitive) is insider trading. Morris, Rehbein, Hosseini and Armacost (1995) labelled this as greed since this type of situation involves fast hard cash. Surprisingly, those with a religious education background, Islamic university students and those with Integrated faith are more inclined to accept this scenario compared to other students. Malaysian students also tend to accept situations where competitive conditions exist thus justifying their acceptability (Morris, Rehbein, Hosseini and Armacost, 1995). Distributing gifts during festive seasons like Hari Raya are acceptable as respondents may feel that it is necessary to ensure a company's survival (Morris et al., 1995). Therefore, it can be concluded that students demonstrate low ethical sensitivity with respect to opportunistic events.

On the other hand, students seem to have high ethical sensitivity on issues involving pollution. Malaysia has a very high environmental pollution problem mostly because of the industrial development which has resulted in significant negative externalities. Sensitivity is also high in situations where students are aware of the serious consequences of getting caught. This is consistent with findings by O'Leary and Mohamad (2006) that ethical attitude is affected by the risk of being apprehended.

Results from the cross-tabulations clearly show that religious affiliation, religious education background and type of institution influence type of religiosity, namely Vertical, Horizontal, Integrated faith and Undeveloped faith. Therefore H_1 is supported. Although the overall means of ethical sensitivity in each religious affiliation appear to have no difference, results in individual scenario show that there are few differences in the level of ethical sensitivity where three scenarios appear to be significantly different. Therefore, it appears that H_2 may be partially accepted in certain situations. It is not surprising to find that influences on ethical sensitivity are situational or contextual as it is consistent with Rest's (1986) model of ethical behaviour (which identifies an inter-relationship with other contributing factors) as well as the findings by other studies (Sparks and Merenski, 2000; Myyry, 2003).

It is interesting to highlight that students who attend religious schools were found to have higher levels of ethical sensitivity in eight out of sixteen scenarios and four are significantly different. H_3 cannot be supported as the difference in the overall means was not significant. However, it is evident that having a religious education background

affects ethical sensitivity in certain circumstances. Similarly, for H_4 the overall means do not indicate variances between Islamic and non-Islamic university students in their average level of ethical sensitivity. However, apparently, students from the Islamic university seem to display a higher level of ethical sensitivity than the non-Islamic universities students' in the scenarios involving serious legal and reportable issues (i.e., B, C, D and K). Thus H_3 and H_4 are partially accepted.

The correlation analysis used in this study (refer Table XI) suggests that there are a number of significant relationships between religiosity measures and sensitivity constructs, supporting $H_{5,1}$ and $H_{5,2}$. For example, there appears to be a negative association between Vertical faith and the construct of serious legal and reportable issues. This could reflect the sensitivity of highly spiritual students towards issues supported by the force of law. Other apparent correlations are not easily explained, however, and deserve further investigation. Overall, potential relationships appear to be situational, which supports the findings by other studies (Singhapakdi et al., 2000; Woodbine and Yuningsih, 2004; Albaum and Peterson, 2006).

In summary, it is found that there may be some connections between one's religiosity and ethical sensitivity. A person who strongly adheres to the rules of their religion may be inclined to have better ethical awareness or sensitivity on questionable situations. A high respect for the dictates of one's religion should be a foundation leading to good ethical behaviour with good ethical conduct maintained at all times and in every situation. However, the fact that the influence is situational is something that requires further investigation.

In interpreting the results of this study, it needs to be remembered that the study adopted a convenience sampling method, resulting in an unequal number of groups associated with religious affiliations, religious education background and type of institutions. This impacted particularly on religious education background and the results concentrate on Islamic religious education.⁷ However, as Islamic Religious schools provide additional religious affiliated subjects⁸ such as *Tafsir* (Quran translation), *Tauhid* (studies on Oneness of God), *Fiqh* (Islamic jurisprudence based directly on the Quran and Sunnah) and *Hadith* (sayings of Prophet Muhammad), it is considered that this limitation does not negate the findings of this study.

As religiosity is found to have an important role in the level of ethical sensitivity among students, we highlight the importance of continuous exposure to religious practices (i.e., spiritual and social) after students leave secondary school and while they attend university. Activities in institutions of higher learning should not only have an academic focus but also emphasize the importance of spiritual growth and commitment.

Notes

* The author is currently a PhD student at Curtin University of Technology, Australia.

¹ One limitation that needs to be highlighted is religiosity is measured differently in these studies.

- ² Throughout this paper, the terms moral and ethical (including their derivatives) are used interchangeably as the two concepts are closely related (Kidder, 2005; Eastwood, Lamsa and Sakkinen, 2006) and many experts from both psychology and business agree on this interpretation (Velasquez, 1998; Eastwood, Lamsa and Sakkinen, 2006; Ianinska and Garcia-Zamor, 2006)
- ³ Quran verses are referred to from <http://www.islam.gov.my/dircportal/quranview.htm>.
- ⁴ JAKIM is an acronym for Jabatan Kemajuan Islam Malaysia (or Department of Islamic Development Malaysia).
- ⁵ Values added to Ruhe and Lee (2008) table of values include Respect (Al-Israa' 17:23), Justice (Al-Maa'idah, 5:8), Forgiveness (Al-A'raaf, 7:199), Generosity (Al-Ahzab, 33:35), Truth (Al-Ahzab, 33:35) and Trust (Ali' Imran 3:44-57).
- ⁶ Except for scenario O of this study which focuses on pollution with the statement that "Facing large clean-up costs, a mining company that produces arsenic as a by-product of its regular operations hired research consultants to show that the safe level of arsenic in drinking water is higher than previously believed"
- ⁷ If students attended a Christian's missionary school, for example a Convent Secondary School, it is categorised by the Ministry of Education Malaysia as National secondary school. http://www.moe.gov.my/emis/emis2/emisportal2/doc/fckeditor/File/BukuPerangkaan07/05_Perangkaan%2007_Chap%202_95-104_pdf.pdf.
- ⁸ <http://www.smapr.scl.my/sma.htm>

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Appendix: Survey's Ethical Scenarios

- A An executive earning RM100,000 a year exaggerated his expense account by about RM3,000 a year.
- B In order to increase profits of the firm, a general manager used a production process that exceeded legal limits for environmental pollution.
- C Because of pressure from his brokerage firm, a share broker recommended a type of share that he did not consider to be a good investment.
- D A small business received one-fourth of its gross revenue in the form of cash. The owner reported only one-half of the cash receipts for income tax purposes.
- E A company paid a RM100, 000 “consulting” fee to an official of a foreign country. In return, the official promised assistance in obtaining a contract that will produce RM5 million profits for the contracting company.
- F A company Chairman found that a competitor had made an important scientific discovery, which would sharply reduce the profits of his own company. He then hired a key employee of the competitor in an attempt to learn the details of the discovery.
- G A highway building contractor disapproved of the chaotic bidding situation and intense competition. He therefore reached an understanding with other major contractors to permit bidding which would provide a reasonable profit.
- H A company director recognized that sending expensive Hari Raya gifts to clients' purchasing officers might compromise their positions. However, he continued the policy since it was common practice and changing it might result in loss of business.
- I A corporate director learned that his company intended to announce a share split and increase its dividend. On the basis of this information, he bought additional shares and sold them at a gain following the announcement.
- J A corporate executive promoted a loyal friend and competent manager to the position of divisional Vice-Chairman in preference to a better-qualified manager with whom he had no close personal ties.
- K An engineer discovered what he perceived to be a product design flaw which constituted a safety hazard. His company declined to correct the flaw. The engineer decided to keep quiet, rather than taking his complaint outside the company.
- L An accountant selected a legal method of financial reporting which would hide some embarrassing financial facts that would otherwise have become public knowledge.
- M An employer received application for a supervisor's position from two equally qualified applicants but hired the male applicant because he thought that some employees might refuse being supervised by a female.
- N As part of the marketing strategy for a product, the producers changed its colour and marketed it as 'new and improved', even though its other characteristics were unchanged.
- O A cigarette manufacturer launched a publicity campaign challenging new evidence from the Ministry of Health office that cigarette smoking is harmful to the smoker's health.
- P An owner of a small business firm obtained a free copy of copyrighted computer software program from a business friend rather than spending RM1, 500 to obtain his own program from the software dealer.